

**The Many Faces of the EU: A Guide**  
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The European Union is confusing. It is confusing to Europeans and to Americans—and to just about everyone else. It is intrinsically difficult to understand because it is neither a normal state, like the US or Canada, nor is it a normal international organization like NATO or the OAS or the UN. It is fundamentally a regional system of governance. It is not a regional system of “government” however, for the EU does not have a government as we traditionally think of a government.

It is a system of regional governance which includes governments, the governments of its member-states, without it having its own government. It itself exercises governance however for it passes laws, coordinates all sorts of activities, is very active on the international scene, and has been busy stabilizing large sections of the European continent. It is now difficult to study any area of policy in which the EU is not involved. It may be involved only peripherally or it may play a central role, but it is involved. I shall come back to this issue of governance at the end of my talk.

What I would like to do today is to provide you with a guide to what the EU is by talking first about what it does. Political scientists love to describe the EU as a “semi-federal system” or a system of “multi-level governance” or incorporating “supranationality”. I would rather like to tell you a bit about what it does as I think that may be a better way to give you an idea of why it is so important and why it is a good idea to try to learn more about it. Thus, I see this lecture as an introductory guide to a fascinating experiment in governance, a fascinating experiment in the exercise of public power without that power being exercised by a government as we traditionally define a government. A system of regional governance without government can matter –not just to the citizens who live within that system but to people throughout the world.

I am going to talk about the EU as a very important actor in the world of commercial diplomacy, as a central actor in the developing world, as a maker of laws and regulations which affect American corporations as they do European, and as a shaper of the economy and human rights beyond its actual borders. It is therefore a diplomatic actor, a key referent for development, a law-maker, a stabilizer of fragile systems of national governance, and a regional and international regulator.

It is in the world of commercial diplomacy that the rest of the world really is forced to sit up and take notice. The ongoing Doha Round is merely the most recent series of negotiations designed to liberalize trade globally. When the US and the EU come to an agreement, it is difficult for others in the system to move them very far from that position. In previous Rounds, in fact, the US and EU negotiators would go off and when they came to an agreement, the rest were in a position where they had to sign. As WTO agreements move outside the area of trade in goods and move into services and intellectual property rights, the power of the EU as a commercial negotiator becomes ever more far-reaching.

For many years, the EU was viewed very unfavorably in Washington because it was seen, from the US perspective, as our major very tough negotiating adversary. One of the reasons it is so powerful is that it negotiates as a unitary negotiator. At the time the EU was formed, the European Commission was designated as the sole negotiator for the Union. That designation was extremely important. If each of the EU member-states were to negotiate individually, it would be far easier for the US to have its way as it would be able to divide and conquer. In those areas where the EU has not had the role of unitary negotiator, as in aviation negotiations, the US has been extremely successful in getting most of what it wants. However, when the US has to face the EU, rather than its individual member-states negotiating as single states, it has to compromise a great deal more.

In this Round, countries which want to liberalize agriculture are more organized than they have been previously. The EU is much less keen to liberalize agriculture than are other countries because of the importance of the Common Agricultural Policy to the whole structure of integration in Europe. In the recent Hong Kong negotiations, the outcome was very close to what the EU wanted. Thus, the EU is a critical actor in the world of multilateral negotiations.

Secondly, the EU is a major focal point for much of the developing world. And development policy is one of the key elements in the EU's external relations. One of my colleagues, for example, was very skeptical that the EU was important, interesting, or worth learning about. On a trip to South Africa, however, he went to Soweto. Everywhere he went, he told me, he saw the EU flag marking the construction of all sorts of public infrastructure. He came back from South Africa convinced that the EU was indeed important.

The EU is important in a couple of ways. It is a model of a "community." You find that all sorts of developing countries say they are modeling themselves on the EU. There is the African Union, The South American Community, and now an emerging East Asian Community. The notion that countries are better off in some fashion if they group together and transcend old rivalries is quite powerful. The idea of regional cooperation is patterned on the EU. The model, in speeches and writing, is the European Union. It is the template, it provides the "mental map" if you will of cooperation at the regional level.

It is important for Americans to understand that, as our 'mental map' is a quite different one. Americans do not naturally think of belonging to a "community" and our political system is more resistant to the influence of ideas and pressures coming from outside our own borders than are elites in many other societies. The EU, for many in the world, has provided a new example, a new model of international cooperation.

Secondly, the EU is important for the developing world in terms of sheer cash. The EU, along with the member-states, gives a great deal of money for development. Its

development policy has increasingly focused on the reduction of poverty in developing countries as well as an emphasis on better governance. The EU plays two roles in this area. It provides its own money in the form of direct assistance to developing countries. In that sense it is a bilateral donor. It also acts as a multilateral institution because it coordinates the efforts of EU Member States.

Taken together, the programmes managed at the EU level and by the Member States amounted to roughly 42 billion dollars in 2004. That amount accounts for 54% of world aid. Roughly  $\frac{3}{4}$  of that aid was controlled bilaterally by the member states, but nonetheless aid managed by the European Commission amounts to a great deal. The EU as the EU—excluding the member states—is the second largest aid donor in the world after the United States.

Whereas the US, when it gives foreign aid, gives a great deal of military aid as well as development assistance, the EU focuses on development assistance.

In recent years, the European Commission has implemented a series of reforms designed to increase the effectiveness of the money spent by the EU. The Commission created the Europe Aid Cooperation Office, which is now in charge of the implementation of almost all of the European Commission's development projects.

Secondly, in November 2005, after very tough negotiations, the Council of Ministers adopted a joint Commission-Council statement, which was subsequently endorsed by the Parliament in December 2005. The consequences of that joint statement, entitled "The European Consensus on Development," are likely to be quite important. The Commission's role in coordinating the Member States' development policies will be significantly strengthened. This represents a very important change and will affect the way EU development policy is made in the future.

The EU is particularly tied to the African, Caribbean, and Pacific countries (ACP). These are former British and French colonies which have been granted preferential access to the

EU market. This kind of preference is separate from that of the development assistance I have just discussed. They have been allowed, for example, to sell sugar or to export bananas within the EU market at preferential rates. When those have been challenged at the WTO level, the EU began negotiating EU-ACP Economic Partnerships. The kinds of links between the EU and the ACP give the EU a link to the developing world, to Africa especially, that sets it apart.

It is important to remember then that the EU has a special link with over half of the members of the United Nations. For many developing countries, the EU is a far more concrete organization than it is for most Americans. Institutionally, the EU has helped bring developing countries together in an interesting and nearly unnoticed way. The EU-ACP Council of Ministers meets as does the ACP-EU Joint Parliamentary Assembly meets for one week twice a year. Just recently parliamentarians from the ACP countries have agreed on setting up an ACP Parliament to improve their internal cohesion and to gain influence with the EU and WTO.

### **Governance in the EU**

The EU stands out in the way it governs itself. The supranational institutions of the Commission and the Parliament are important in legislating in a whole range of issue areas, while the European Court of Justice is unique in its ability to ensure that member-states enforce that legislation in an appropriate fashion.

In a sense, the fact that it does adopt binding legislation across a whole range of areas which is then transposed into national legal codes is a symbol of its supranational character. That fact distinguishes it from other international organizations, including the WTO.

The way in which the EU governs itself is so distinctive that it is often viewed as “*sui generis*.” The fact that the European Commission holds the monopoly on the initiation of

legislation, that the directly elected Parliament now holds a key role in many issue areas, and that member-states, even when out-voted in the Council of Ministers, are expected and in fact do implement the legislation which they have voted against, makes the EU a new type of regional governance which combines elements of a multilateral institution, a traditional decentralized state, a confederation, and a federation.

It is that combination of different systems of governance combined with its mandate to liberalize national economies so as to create a single market that makes the EU both so powerful and so controversial. Citizens don't recognize the EU because it is completely unlike their own national systems. National systems have governments; the EU is characterized by governance without government at the EU level and governance with government at the Member-State level.

The Commission is not a derivative institution; it is perhaps the most original institution to be created since the American federal system was devised in 1789. The Parliament's relationship to the Commission in some ways resembles a "separation of powers" system more than it does a traditional parliamentary system. And so on.

On top of the alien character of this institutional structure, we find the mandate to liberalize economies, create a single market, and increase the competitiveness of the European economy. The recent fight over the proposed liberalization of port services reminds us of how politically painful liberalization is.

National leaders often use the EU to carry out economic reforms they believe in but don't have the political clout or will to implement at home. While that is convenient for them, it represents a very heavy burden for the process of integration. It means that indirect democracy is being used to carry out changes which representative democracy is incapable of achieving. We see this in the case of the euro in Italy.

In a similar vein, social regulation is also instituted at the EU level at levels which would be unobtainable at the domestic/national level. Environmental protection is one such area.

In this policy arena, the reach of the EU extends beyond its borders. The recent REACH directive is a case in point. It will affect US producers as much as EU producers.

These processes of supranational institution-building, liberalization, and social regulation have evolved over time in the EU-15. There has not been a “big bang” for the West European members of the EU. The opposite has been true for the new accession countries. Joining the EU has indeed involved a “big bang” in that they have made huge changes in public administration, economic structures, human rights legislation, regulatory structures, and democratic practices in a very short space of time.

All of the legislation, institutional consolidation and liberalization that had accumulated since 1958 had to be accepted by the new entrants. This was in addition to their putting into place the basic infrastructure of a market economy, including the legal and judicial system which is so critical to capitalist economies. To accomplish what those 10 countries accomplished in the very short period from 1990-2004 is really extraordinary.

That same kind of power is being exercised in the Balkans, the next group of countries which view the EU as their referent. Romania has already said it wants the EU to pay special attention to Moldova. It therefore affects social, political, and economic processes beyond its current borders. It is the key stabilizer in fragile systems, and the hope for stability in the Balkans is critically tied to the EU. If the EU did not exist, the political landscape of Europe would look quite different.

This power to shape the destinies of countries with often tragic histories is accompanied by an ungainly institutional structure as I’ve noted. Yet that structure has evolved precisely because it is so very difficult to find institutional designs which allow national interests to be bargained in ways which lead to joint gains rather than zero-sum outcomes among countries which very long histories of warfare, economic rivalry, and very long memories.